Clears, mens' deodorants freshen sales

Margins are "all over the board."

—Midwest buyer

Continued from page 56

goes straight for the budget consumer, since it is priced 25-30 percent below other brands, according to John Achenbaum, director of marketing resources and strategic planning for Curtis.

"Suave was doing well before the recession and it's doing quite well during the recession," adds Achenbaum.

Revlon also targets the economy segment with its Hi & Dri deodorant and anti-perspirant in both roll-on and solid. Since its deodorant is available in three scents—and only in solid form—this skews Hi & Dri toward the men's market.

When it comes to margin, the buyer for a Midwest chain notes that for deodorant, margins are "all over the board—a few pennies on Speed Stick, on the less popular ones we make more."

Amid category clutter, says Revlon's Bronner, "deodorant is becoming commoditized. Mitchum is the only premium priced anti-perspirant out there." From the trade perspective, she notes, Mitchum offers product differentiation, price point and margin.

It takes big bucks to launch a new deodorant. "There is brand loyalty in deodorants and it will take a lot to get customers to switch, so manufacturers come out with marketing programs that are dynamite," notes McKesson's Palmer.

On the new premium priced Gillette line—which buyers report is slated for TV launch on the Superbowl—a regional chain buyer remarks: "Although Gillette is premium priced, I think you'll see people footballing [prices] around Superbowl. They will want their piece right away."

Compact packaging opens space race

Packaging is on the move this year with new lines, brand repositioning, new technology and reduced-waste cartons in the deodorant/anti-perspirant category.

An example is Bristol-Myers' Ban Clear solid stick, which comes in a see-through "snugfit" carton and is designed for minimum package waste, according to spokesperson Susan Spedale.

Gillette's Dry Idea, Right Guard and Soft & Dri are also packed "tuckless" or with no outer packaging.

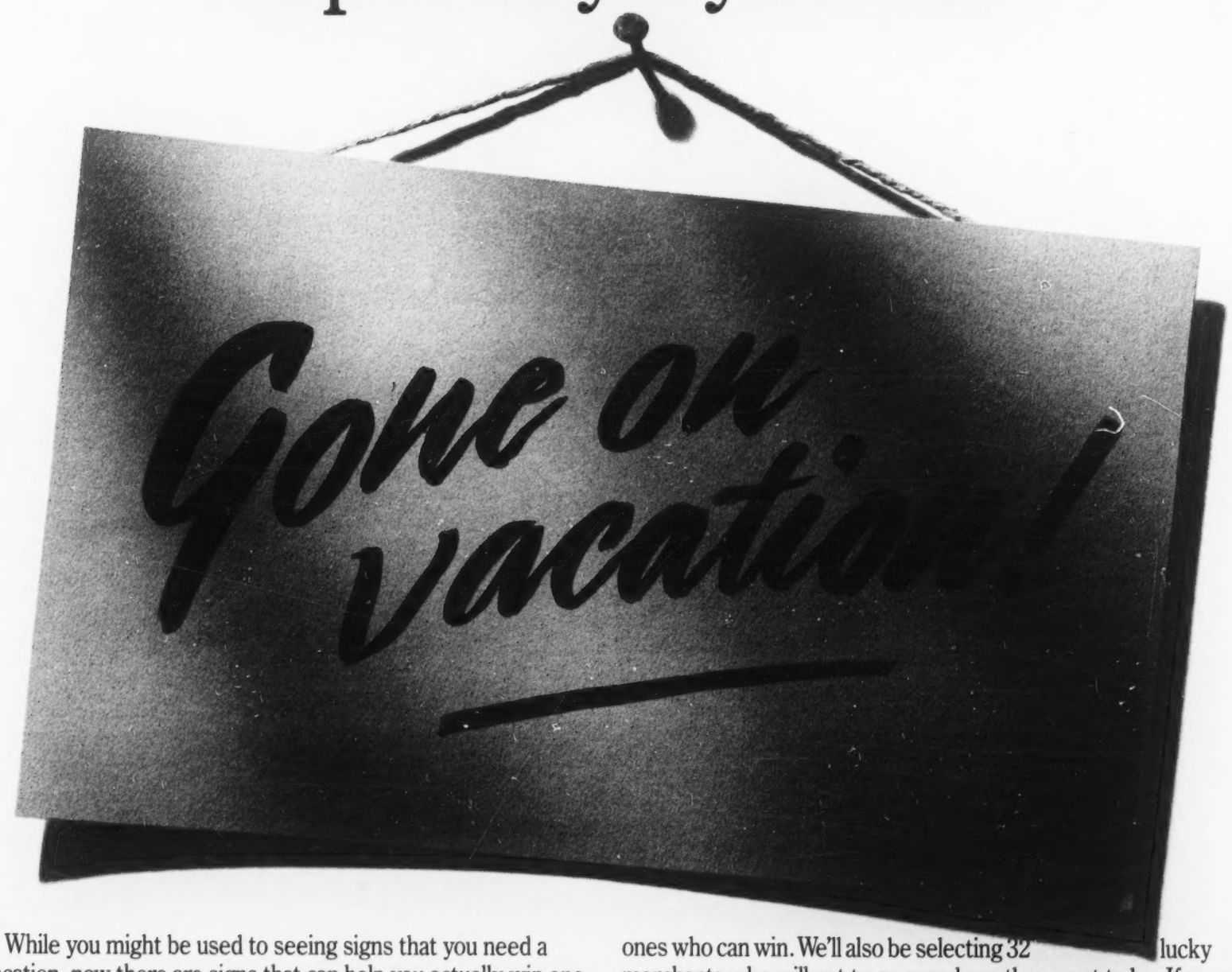
The low-waste clear deodorant packaging shows all.

But as one Midwest buyer comments: "The only thing I question is that with clear packaging, consumers actually see how much product they're not getting."

Beside helping the environment, another plus from reduced packaging, is more shelf space, which encourages manufacturers to rush in with line extensions.

As one high-volume buyer notes: "A lot of these products are coming out of the box and this makes more room on the shelf. If I was a marketer, I would want to fill the room in a planogram."

With Visa's latest promotion, you'll have to display some signs. Especially if you win.



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Simply give us a call or fill out the entry form, and we'll send you several small signs to display near your cash register. These signs will tell your customers that by using their Visa cards to make a purchase, they could win a vacation to "Anywhere They Want To Be."

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Fay's profit, earnings jump credited to cost controls

LIVERPOOL, N.Y. — Fay's reported a 136 percent climb in net earnings for the second quarter ended July 25, to $2.94 million from $1.25 million in the same year-earlier period. Revenues, meanwhile, rose 4.3 percent to a record $216.4 million from $207.4 million in the comparable period a year ago. Comp-stores sales were up 2.2 percent.

The huge increase actually reflects an improvement over a poor quarter in 1991. "Last year's second quarter was affected by write-offs for the acquisition of the Carl's chain," explained Warren Wolfson, Fay's senior vp, general counsel and secretary.

For the first half of this year, Fay's net earnings were $4.48 million, compared with $3.08 million for the first six months of last year. Six-month revenues rose 11.4 percent to a record $428.5 million, from $384.6 million a year earlier. Comparable store sales for the first half edged up 1.6 percent.

Chairman Henry Panasci, Jr., the chairman of Fay's , said that despite the ongoing recession and poor weather conditions that depressed sales of seasonal and general merchandise during the quarter, the chain's cost controls and focus on strengthening sales performance combined to improve earnings.

"We consolidated our office space and reduced office staff by about 45 people last year and we are seeing the benefits of that now," he said.

Moreover, Wolfson said scanning is bringing big savings at store level.

"At the end of fiscal 1992, we had scanners in all of our Fay's locations and we are beginning to put scanners in Carl's stores. That gives us a good handle on inventory levels and prevents us from carrying too much inventory," Wolfson said.

The chain is also intensifying its advertising program in selective markets and placing greater emphasis on value pricing in many stores.

"We are becoming a hybrid of high-low and everyday-low-pricing. Added value is a theme throughout the organization," Panasci said.

Genovese shows increase in sales in second quarter

MELVILLE, N.Y. — Despite a New York metro area economy that's still in the doldrums, Genovese reported a sales increase of 4.5 percent for the second quarter ended Aug. 14, 1992. Sales for the period were $105.01 million compared with $100.52 million one year ago. Net income was down slightly to $1.21 million from $1.22 million for the same period one year ago.

For the first half of the year, Genovese's sales were $243.11 million, which is 4.1 percent ahead of the $233.46 million for the same period one year ago. The chain's net income was $2.45 million vs. $2.68 million from one year ago.

"We are still behind our figures from one year ago," said Don Gross, vp and director of marketing of the chain.

"Our sales are still disappointing, but by watching our expenses, we've been able to post relatively good figures," Gross added.

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MARKET DIARY:

Largest Dollar Gainer	Albertson's	$ 4.88	Advances	34
Largest Dollar Loser	Merck Co.	$ – 3.50	Declines	23
Largest Percentage Gainer	Moore Medical	12.50%	Unchanged	5
Largest Percentage Loser	ICN Pharmaceutical	– 20.55%	New highs	5
			New lows	3

	Close 8/25/92	Close 9/15/92	Net Change	Percent Change
Drug Store News Index	4596.24	4635.26	39.02	0.85
Dow Jones Industrial Average	3232.22	3327.32	95.10	2.94
Standard & Poor's 500-Stock Index	411.61	419.77	8.16	1.98
N.Y.S.E. Composite	226.47	231.04	4.57	2.02
Value Line Index	243.12	249.66	6.54	2.69

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/25/92	Closing Price 9/15/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.38	5.38	0.00	0.00	15	0.00	0.00	5.75	3.47
OTC	Arbor Drugs	ARBR	20.25	21.50	1.25	6.17	22	0.12	0.56	25.25	17.50
OTC	Big B	BIGB	13.63	14.00	0.38	2.75	14	0.20	1.43	16.25	10.63
OTC	Drug Emporium	DEMP	4.38	4.75	0.38	8.57	—	0.08	1.68	9.25	3.63
NYS	Fay's Inc.	FAY	7.63	8.00	0.38	4.92	15	0.20	2.50	10.81	6.59
ASE	Genovese Drug	GDX.A	7.88	8.25	0.38	4.76	9	0.24	2.91	14.75	7.50
NYS	Longs Drug Stores	LDG	36.63	34.88	– 1.75	– 4.78	13	1.12	3.21	40.00	33.13
OTC	Medicine Shoppe	MSII	23.75	25.75	2.00	8.42	18	0.36	1.40	30.75	21.25
NYS	Perry Drug	PDS	8.13	8.25	0.13	1.54	11	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	21.75	20.88	– 0.88	– 4.02	14	0.52	2.49	22.75	17.25
NYS	Walgreen Co.	WAG	39.00	38.13	– 0.88	– 2.24	22	0.52	1.36	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.75	19.88	1.13	6.00	15	0.40	2.01	22.88	16.00
OTC	Bindley Western Ind.	BIND	16.38	15.63	– 0.75	– 4.58	10	0.04	0.26	20.75	13.50
OTC	Cardinal Distribution	CDIC	27.50	28.50	1.00	3.64	20	0.08	0.28	38.75	22.50
OTC	Durr-Fillauer	DUFM	33.25	32.75	– 0.50	– 1.50	24	0.28	0.85	33.50	17.50
NYS	FoxMeyer Corp.	FOX	12.38	12.38	0.00	0.00	13	0.28	2.26	16.63	10.38
NYS	McKesson Corp.	MCK	36.38	38.00	1.63	4.47	43	1.60	4.21	40.13	30.25
ASE	Moore Medical (H)	MMD	8.00	9.00	1.00	12.50	20	0.00	0.00	9.38	3.00
NYS	Owens & Minor	OMI	17.75	17.88	0.13	0.70	17	0.24	1.34	24.25	16.00
Manufacturer's transactions											
NYS	Abbott Labs	ABT	30.25	30.00	– 0.25	– 0.83	22	0.60	2.00	34.88	26.13
NYS	American Home Products	AHP	73.50	71.13	– 2.38	– 3.23	15	2.60	3.66	86.25	66.13
ASE	Barr Laboratories	BRL	10.63	10.38	– 0.25	– 2.35	346	0.00	0.00	37.50	5.88
NYS	Baxter International	BAX	37.13	34.75	– 2.38	– 6.40	17	0.84	2.42	40.88	33.13
OTC	Block Drugs Co.	BLOCA	46.50	47.25	0.75	1.61	15	0.88	1.86	61.00	42.50
ASE	Bolar Pharmaceutical	BLR	9.25	9.75	0.50	5.41	—	0.00	0.00	14.50	5.38
NYS	Bristol-Myers Squibb	BMY	67.25	67.25	0.00	0.00	17	2.76	4.10	90.13	62.00
NYS	Carter-Wallace	CAR	25.13	28.13	3.00	11.94	28	0.32	1.14	45.84	22.88
ASE	Columbia Labs	COB	5.13	4.50	– 0.63	– 12.20	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.50	19.13	– 0.38	– 1.92	13	0.28	1.46	24.38	16.88
ASE	Forest Labs	FRX	38.25	38.50	0.25	0.65	32	0.00	0.00	42.88	30.00
ASE	Halsey Drug	HDG	6.75	7.00	0.25	3.70	23	0.00	0.00	9.75	5.63
NYS	ICN Pharmaceutical	ICN	9.13	7.25	– 1.88	– 20.55	17	0.00	0.00	25.38	5.63
NYS	Johnson & Johnson	JNJ	49.13	50.50	1.38	2.80	21	0.92	1.82	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.25	1.13	– 0.13	– 10.00	—	0.00	0.00	2.13	0.75
NYS	Lilly Eli Co.	LLY	67.00	67.88	0.88	1.31	14	2.20	3.24	87.75	63.63
NYS	Marion Merrell Dow	MKC	27.63	27.63	0.00	0.00	12	1.00	3.62	39.00	25.75
NYS	Merck Co.	MRK	51.00	47.50	– 3.50	– 6.86	24	1.00	2.11	56.59	42.25
NYS	Mylan Labs (H)	MYL	24.13	26.88	2.75	11.40	48	0.12	0.45	27.50	15.75
NYS	Novo-Nordisk (H)	NVO	93.63	94.00	0.38	0.40	17	0.60	0.64	96.75	72.75
OTC	Nutramax Products	NMPC	8.13	8.13	0.00	0.00	20	0.00	0.00	12.50	6.75
NYS	Pfizer Inc.	PFE	80.50	79.63	– 0.88	– 1.09	35	1.48	1.86	87.00	62.50
NYS	Pharmaceutical Resources	PRX	6.13	5.38	– 0.75	– 12.24	—	0.00	0.00	8.00	3.25
NYS	Rhone-Poulenc Rorer	RPR	50.75	50.25	– 0.50	– 0.99	19	0.72	1.43	69.38	46.50
NYS	Schering Plough	SGP	60.38	59.38	– 1.00	– 1.66	18	1.56	2.63	68.00	49.88
NYS	Syntex Corp. (L)	SYN	28.25	28.38	0.13	0.44	14	1.04	3.67	56.00	27.50
OTC	Taro-Vit Industries	TAROF	8.25	7.75	– 0.50	– 6.06	65	0.00	0.00	12.75	3.75
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	25.38	27.13	1.75	6.90	27	0.20	0.74	28.75	15.00
NYS	Upjohn Co.	UPJ	33.75	34.50	0.75	2.22	11	1.36	3.94	47.88	31.00
NYS	Warner-Lambert	WLA	66.75	66.25	– 0.50	– 0.75	47	2.04	3.08	79.25	58.38
OTC	Zenith Labs	ZENL	12.50	13.00	0.50	4.00	—	0.00	0.00	24.50	9.63
Other retailer transactions											
NYS	Albertson's (H)	ABS	40.00	44.88	4.88	12.19	25	0.64	1.43	47.50	32.75
NYS	American Stores	ASC	35.75	39.13	3.38	9.44	17	0.68	1.74	40.38	26.00
NYS	Giant Food (L)	GFS.A	20.25	18.00	– 2.25	– 11.11	15	0.68	3.78	26.25	17.75
NYS	Great Atlantic&Pacific Tea	GAP	26.63	26.50	– 0.13	– 0.47	—	0.80	3.02	35.38	25.00
NYS	Kmart	KM	23.25	24.25	1.00	4.30	13	0.92	3.79	27.50	19.06
NYS	Kroger	KR	12.00	12.75	0.75	6.25	14	0.00	0.00	21.13	11.25
NYS	Melville Corp.	MES	47.38	50.50	3.13	6.60	15	1.48	2.93	52.00	38.25
OTC	Fred Meyer	MEYR	25.25	26.63	1.38	5.45	14	0.00	0.00	29.25	19.75
NYS	Penney, JC	JCP	66.88	68.63	1.75	2.62	24	2.64	3.85	73.50	47.25
NYS	Safeway (L)	SWY	11.38	10.50	– 0.88	– 7.69	19	0.00	0.00	20.25	10.00
NYS	Smith's Food & Drug	SFD	29.63	32.63	3.00	10.13	19	0.44	1.35	43.25	25.75
NYS	Wal-Mart	WMT	57.38	58.50	1.13	1.96	38	0.20	0.34	59.88	45.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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SECOND CLASS

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A Lebhar-Friedman publication

Fresh competition on the West Coast

Sav-on Express takes off

Sav-on Drug in California launched its new Sav-on Express chain the last week in September when signs went up on 62 former CVS drug stores with pharmacies acquired earlier this year; HBA stores will remain under the CVS logo, said Kevin Tripp, vp-advertising and sales, American Drug Stores, Sav-on's corporate parent. New Sav-on Express ads were expected to break at presstime, and store interior changes should begin around the same time, local sources said.

F&M nets $33.5M—more than expected

WARREN, Mich. — F&M Distributors found as receptive an audience for its newly issued stock on Wall Street as it has for the HBA and other products it offers in its stores. The nation's third-largest deep discounter made its first public stock offering Sept. 25 on the NASDAQ over-the-counter exchange, selling a total of 3.5 million shares at $15 each.

The offering included 2.4 million new shares issued by F&M and an enlarged offering of 1.1 million shares sold by owner Michael Timmis and other early, private investors connected with Talon, Inc., which led the takeover of F&M in 1977. After underwriting fees, the stock sale netted F&M $33.5 million with which to pay down debt—a figure higher than that originally projected.

1993 and beyond

"The IPO came in at the high range of our expectations," said Laura Kendall, senior vp of central operations and cfo. "The reduction in debt positions us to move forward with our business plan for 1993 and beyond."

The chain plans to use its increased leverage to open up to 18 new stores next year, Kendall said.

F&M's stock trades under the ticker symbol "FMDD."

Spotlight on cosmetic fixtures 9

Thrifty set to grow with Green's thumb

In an exclusive interview, Yingling reveals a two-part plan focused on health care and neighborhood marketing. Shorter term, new owners of Thrifty Corp. and subsidiary Thrifty Drug plan to maneuver the 602-store drug chain through this recession with a boost from Thrifty Corp.'s beefed up financial engine.

By Allene Symons

LOS ANGELES — Thrifty Corporation ownership changed hands at the end of September as holding company Pacific Enterprises stepped aside and Thrifty's new owners took the wheel—Leonard Green & Partners, along with senior members of Thrifty's management team.

The deal strengthens Thrifty Corp.'s financial position by retiring over $500 million of debt and by the cash infusion of more than $300 million dollars into Thrifty Corp., which includes four subsidiaries: Thrifty Drug, Bi-Mart discount membership chain and two sporting goods chains. The Big 5 sporting goods chain was acquired by Leonard Green & Partners in a separate transaction.

Thrifty Corp. chairman and ceo Bill Yingling met with *Drug Store News* just after the final deal was announced to talk about evolving plans for the 602-store Thrifty Drug Stores, the largest of Thrifty Corp.'s retail subsidiaries and also the largest drug store chain in the western U.S.

Two-part plan

Health care and neighborhood marketing are central to Thrifty's new marketing strategy. "I believe the ability of a drug store to deliver a clearly professional atmosphere is superior to putting a drug store in a warehouse or combo," says Yingling.

Noting that the health care focus doesn't mean pruning strong categories like cosmetics, photo and liquor, Yingling explains that with a new emphasis on category management and utilization of data from Thrifty's store-wide POS scanning system, underperforming categories will be identified more quickly.

Cost efficiencies are essential to offset margin lost to third-party providers, he notes. Thrifty plans to pursue third-party business aggressively. This already represents 65 percent of the chain's prescription business. "We think there are opportunities which would enable us to live with lower margins," he notes, adding that one of Thrifty's goals is to achieve "the lowest cost structure in the marketplace—which doesn't mean being the low price leader."

Location a key

The concept of neighborhood marketing means working the mix and empowering store managers while mining chain cost advantages. "You have to leverage the opportunity wherever you can but not at the expense of creating stores that don't meet community needs," says Yingling. Most of Thrifty's stores are in California and serve micro markets. Its headquarters, for example, is on the border of Koreatown and Little El Salvador, not far from Bever-

Continued on page 2

NACDS restructures

Whitman Elder Perlowski Armstrong Proctor Weber

ALEXANDRIA, Va. — NACDS announced a major restructuring of its headquarter staff that should strengthen the chain drug industry association's involvement in both trade relations and pharmacy affairs.

A key element in the restructuring is the creation of a new industry affairs department, consolidating NACDS' trade relations program as well as the group's rapidly expanding conference and trade show activities.

James A. Whitman, the association's current general counsel and a 15-year veteran at NACDS, will head the new division as vp of industry affairs.

Other NACDS staffers assigned to Whitman's newly-formed department include Fitzhugh Elder III, who was promoted to director of associate member relations, and

Whitman to head new industry affairs department

Stephen E. Perlowski, who moves up to become director of industry affairs.

Perlowski, who joined NACDS three years ago, held several senior-level positions at the association, including director of trade programs and special assistant to the president.

Elder, an NACDS staffer since 1990, will be responsible for all trade show activities as well as ongoing relations with the association's 1,000 associate (supplier) members.

In a related move, NACDS announced the promotion of Katherine R. Armstrong to senior director of meeting planning—a position for which she will exercise logistical responsibilities for all NACDS meetings including the group's heavily attended Marketplace, Pharmacy and Distribution/

Continued on page 53

NEWS IN BRIEF

Rite Aid wins Maine mail order case

CAMP HILL, Pa. — Rite Aid has emerged the victor in its battle with the Maine state employee prescription program.

A Maine state court ordered that the chain be permitted to dispense long-term maintenance prescriptions to Maine state employees under the same terms and conditions as Medco Containment, Inc.

Prior to the court order, state employees were able to have acute care prescriptions filled at the pharmacy of their choice, but were forced to purchase maintenance prescriptions through Medco's mail order program.

Rite Aid took the state to court, contending that the Medco plan diminished patients' quality of care, constituted unfair business practices and pulled state monies away from the state.

FoxMeyer, Snyder's seal supply pact

DALLAS — FoxMeyer has finalized a seven-year exclusive agreement to supply Snyder's Drug Stores and its clients in the upper Midwest and Northwest.

Under the deal's terms, FoxMeyer will supply 258 drug stores owned or serviced by Snyder's with prescription and over-the-counter drugs, HBA and general merchandise. FoxMeyer will also purchase Snyder's warehouse and distribution assets.

The agreement is expected to generate $1.4 billion in revenues over the seven-year supply term.

FoxMeyer has also inked supply pacts this year with Perry Drug Stores, May's Drug Stores and Omnicare of Cincinnati.

Bergen-Durr deal nears close

ORANGE, Calif. — Bergen Brunswig Corp. announced that the $33-per-share cash tender offer was accepted for payment and represents approximately 95.7 percent of Durr-Fillauer's outstanding common stock.

Acquisition of the remaining common shares through a cash merger is expected to be completed shortly.

Newell Co. plans to acquire Intercraft

TAYLOR, Texas — Intercraft Industries and Intercraft Industries of Canada, Inc., the world's largest manufacturer of picture frames, has entered into a preliminary agreement to be acquired by Newell Company.

Newell Company, headquartered in Freeport, Ill., is a leading housewares manufacturing company with 1991 sales of $1.1 billion. The company plans to operate Intercraft as a freestanding division under the leadership of its present management team.

Intercraft's chairman, Philip Spertus, said the move was a reaction to an acquisition trend in retailing and manufacturing. A partnership with a large, high-quality company, he said, would help Intercraft operate more efficiently with its customers.

Garrity sheds light on hurricane victims

MADISON, Conn. — Garrity Industries has joined the flood of help pouring into south Florida for victims of Hurricane Andrew. The company donated 5,000 Life Light flashlights, the same type of flashlights the company sent to Operation Desert Storm and several other relief programs.

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New products, growing lines tantalize Exclusively HBA buyers

Exclusively HBA's attendance has shifted, but buyers from all classes of trade found plenty of new products at the show. Aromatherapy was in and bath is still a growing category.

DENVER — Exclusively HBA may get a new time frame next year. Exclusively's principal and ceo Jay Spaulding said that the show had experienced a shift in attendance in the three years since its inception. Chain drug attendance had slipped, but attendance by membership wholesale clubs, for example, was up. Mass buyers and manufacturer representatives were at the show in strong numbers. Foreign retail operations were also evident on the show floor.

Chain drug retailers were sparse at the show, held here Sept. 22 through 24. Several chain buyers told *Drug Store News* before the show that they felt Exclusively fell too quickly on the heels of NACDS Marketplace and they were opting out of attending both shows.

Spaulding said the show has grown 18 percent in terms of manufacturers present. Nearly 400 exhibitors took up 285,000 square feet at the show. Over 100 private label and 50 ethnic suppliers were in Denver for the show. Still, Spaulding said that he would consider the question of the show's positioning in coming years.

"At first, companies felt that the timing was good since it allowed them to plan for spring and for summer. We are asking for feedback on the timing of the show from attendees this year and will consider a shift in timing based on what our responses say," he said.

Meanwhile, the show is scheduled for next year in Detroit on Sept. 21-23.

Those drug chains that did attend were pleased with the business they did at the show. Said Bill Saxon, senior vp of L.F. Widmann, Inc.: "This is my second year at the show and it's a good opportunity to meet with the people I need to see." Saxon said he was looking for opportunities to purchase manufacturers' leftover stock. "For our 155 stores, this show fits the bill," he said.

Foreign as well as domestic buyers saw Exclusively as an opportunity to see the latest in HBA. Canadian rep Randy Maxwell of Ashdown Group said that Canadians look to American manufacturers and retailers for innovative ideas. Maxwell said Exclusively HBA offered plenty to think about. "The Vuarnet skin line is interesting. It has European cachet but the products are American. It's also a unisex line, which I find interesting," he said. The line is a 14-SKU line of skin products, launched in June.

Bath lines were represented in full force at the show. In addition to the multitude of aromatherapy and just plain bath lines, some manufacturers, such as Lady Elizabeth and Natures Touch, showed a full line of loofas and natural sponges.

Kathy Covault, buyer at Drug Emporium, thought the natural sponges shown by Sponge Fishing Co., Inc. were a good addition to her bath line.

Buyers, such as Drug Emporium's Dale Rogers, were also interested in Gillette's new 12-SKU Series line of men's toiletry products, which will ship in December.

"We had high expectations for this show and we've been busier than we anticipated. There has been an overwhelmingly positive response to this line," said Irv Kempner, Gillette's director of national sales.

Lew Hendler, vp of The New L&N Sales & Marketing, Inc., felt the show was a successful one. "The relaxed atmosphere of the show gave the buyers a real opportunity to look at new products and new directions. I would credit that with the overwhelmingly positive reception of our Scuni brand of hair accessories."

HOT OFFERINGS

Here are some of the most interesting things shown at Exclusively HBA:

- If the success of its Sensor razor is any indication, Gillette's new 12-SKU Gillette Series line of men's toiletries should take off as soon as its products ship in December. The company plans to put $75 million of advertising behind the product and will include a sampling program.

- Color is out, clear is in—at least when it comes to mouthwash. Bausch & Lomb's new Clear Choice, a 100 percent alcohol-free mouthrinse, was joined by Dep's Crystal Fresh Lavoris, made with mountain spring water and Rembrandt's mouthrinse in two flavors. Both products are clear and alcohol-free.

- Loofas were everywhere. Lady Elizabeth and Natures Touch showed natural sponges and loofas. Lubriderm's Loofa bar added loofa to its formulation, as did Vuarnet's bath bar SKU in the company's new line. Surrey, Inc. put loofa into its glycerine soap bars.

- Children's lines were getting more attention. Surprise Shampoo, aimed at the 5- to 13-year-old market, includes a prize inside. Cosrich has an Aladdin line already in place for the Thanksgiving release of the Disney movie.

- Hair accessories had a department store look. Phillips introduced a Revlon licensed hair care line on rack spinners and planogrammed programs. L&N Sales and Marketing, Inc. launched its Scuni line of upscale hair accessories for mass and drug.

- Botanicals are still a driving force in hair care, from Redmond's professional-to-mass New Zealand Hair Paradise line to Freeman Cosmetic Corporation's new six-SKU Botanical Hair Line launched in June. Freeman also added three new SKUs in bath and three additional skin SKUs.

Thrifty set to grow

Continued from page 1

ly Hills.

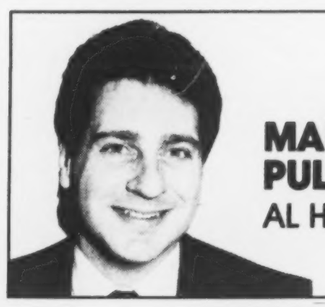
The urban multi-ethnic challenge is one side of Thrifty's market. The other, Yingling says, is its strength in good locations, "the network of stores and valuable leases. We think that's a strong plus for us competitively." Many are urban, which provides more insulation against competition than in suburbs where more space is available.

Thrifty also has a half dozen new stores scheduled for 1992, but the emphasis will be on maximizing existing stores with 65 major remodels and a total of 342 "facelifts" to be completed by Thanksgiving.

To show the evolving blueprint for the new Thrifty Drug, a fall "update" meeting for suppliers is in the planning stage along with individual sessions. Yingling expects development of a new approach to inventory distribution could be one result of the meetings. Thrifty Drug now has three distribution centers, which will be consolidated into two when it closes its Anaheim DC later this year.

The health care/neighborhood marketing strategy, Yingling explains, is intended to appeal to recession and post-recession consumers. "I think what we're seeing is more than a recession. I think Americans are adjusting their social values and the retailer must make changes. People want value today." One value equation for a drug store is convenience, like driving only a half mile to a neighborhood Thrifty. "It's value," he says.

EDLP: waste killer or marketing threat?



MARKET PULSE
AL HELLER

Will EDLP become the industry vehicle for extracting waste from the retail distribution system?

Or will the concept of everyday low price lose credibility before it has a chance to be tested—simply because it has been rigidly introduced and is being fostered by Procter & Gamble?

P&G, many retailers are quick to recall, advanced the short-lived DPP (direct product profitability) measurement in the mid-1980s, they say, because it showed them in the best light against competition. As the single-largest supplier of packaged goods to many retailers, P&G brought volume efficiencies to the market no one could match.

Feeling stung by that experience, many retailers—but certainly not all—resent what they call P&G's rigid implementation of EDLP, or contract pricing.

Reaction has been swift in some corners. Alex Grass, Rite Aid chairman, booted out 25 P&G items this summer. By culling the dogs of the mix, he freed up shelf space and inventory investment dollars. Good move, and a firm expression of his displeasure with the P&G program.

Other chains warn of similar moves, and say they're leaning toward Lever Bros. and Colgate-Palmolive as alternatives.

Control is the issue. Drug and combo retailers want lower costs, but resent being told by a supplier there is just one way to do it. They also dislike the lessened promotional monies, and fear losing distinctiveness in their markets because of less latitude in promotions. Manufacturers counter by saying trade promotions don't move product to consumers, and often wind up in retailers' pockets.

The upshot: Other manufacturers are developing hybrid programs more tailored to individual retail and wholesale operations, and operators prefer these.

Bill Harris, vp-nonfoods at Randall's in Houston, which recently bought Tom Thumb-Page, stands out for his pro-EDLP stance:

"There will be some increase in efficiencies. . . consumers will ultimately benefit. We are a selling organization," but others who make money on the buy—not just on the sell—won't like it a bit, he said.

"Drug chains. . .have to make money on the buy as well as the sell," notes Stephen Lund, vp-merchandising at Perry Drug Stores.

P&G is risking market share loss to other suppliers who remain more committed to selling the way high-low operators prefer. What's the incentive now to promote Tide when a hot price on a popular regional brand has impact? P&G's market leadership carries clout, but might be outweighed by other retailer concerns.

EDLP can also be a boon to private label, given today's trend away from brand loyalty and retailers' inclination to go where margins are higher.

Against the backdrop of the Phar-Mor scandal and inconsistent financial results posted by Drug Emporium, some industry pundits are questioning the long-term viability of everyday low price. Indeed, Phar-Mor is now adjusting its category assortments to reflect actual performance, rather than inflated numbers that had been believed to be true until recent days.

"You can't eliminate operating costs enough to compensate for the loss of gross margin dollars," one combo vp told me, noting that Phar-Mor never really made big money. He competes against deep discounters everyday, and feels they'll come to rest in the 21 percent to 22 percent gross margin range, rather than the high teens.

But no one can dispute the professionalism with which F&M and Wal-Mart practice everyday low price. Clearly, EDLP is for the nation's most efficient retailers.

Associate editor Mike Troy, senior editor James Frederick and I are wrapping up major coverage of EDLP, which will appear next issue. Look for it, and let me know how you feel with the FAX-back form.

Workers' Comp to self-destruct without help

WASHINGTON PERSPECTIVE
KEN RANKIN

For generations, state-administered Workers' Compensation systems have been a key part of the safety net protecting drug store industry workers from unexpected economic disaster.

The system worked smoothly for decades at a cost of less than 1 percent of payroll.

But now after 80 years of helping employers and employees cope with the costs of occupational injuries, Workers' Compensation is itself in failing health.

Unless state legislatures can come up with an effective prescription, insurance industry experts warn that the entire system could collapse.

There's already talk here in Washington about federalizing Workers' Compensation—a remedy that many fear could be worse than the disease.

The system's troubles date back to the 1970s when Congress first began meddling with Workers' Compensation by calling on states to significantly broaden coverage and expand benefits for injured workers.

States followed Washington's recommendations, and the scope of coverage was expanded to include a variety of new occupational injuries and diseases such as carpal tunnel syndrome.

At the same time, benefits were broadened to provide coverage of vocational rehabilitation and other costly extras.

These changes were taking place just as health care costs began to skyrocket in the 1980s.

Average annual premiums per worker rose from a relatively modest $93 in 1972 to more than $500 by 1990, and the cost of coverage continues to climb.

But as employers are paying more for Workers Compensation employees are getting less in return. For too many injured workers, the system is too slow and pays too little.

Adding to the problem: the lack of effective cost-containment mechanisms in most state programs; counterproductive coverage rules that discourage employees from returning to work; and growing evidence of fraud and abuse by both workers and employers.

At least a dozen states have already passed legislation to shore up their Workers' Compensation programs, but few of these "reforms" have gone far enough to solve the problems.

According to officials at the American Insurance Association (AIA), solutions to the Workers' Compensation mess "are relatively easy to identify, but extremely difficult to pass in legislatures."

The bitter pill that AIA wants states to swallow would reform Workers' Compensation by:

- limiting compensation to clearly work-related illnesses;
- structure benefit levels to provide return-to-work incentives;
- establish medical fee schedules and utilization reviews; and
- beef up efforts to curb Workers' Compensation fraud.

But insurance groups say they can't push through these reforms alone. Without help from people in drug retailing and other industries, Workers' Compensation could self-destruct.

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VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

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Editorial Info. Coord. **Carine Dabady,** ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.**
(Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
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Sunglass margins still healthy, say buyers

A weak economy and a cool, wet summer have darkened the sales picture for sunglasses in many parts of the U.S., but drug chains are still getting fat profit margins from the category.

"Sunglasses offer good margins. There's a lot of money to be made from [the category]," said Bobby Little, vp of store operations for Birmingham, Ala.-based Big B.

"Unit sales are flat," added Susan Lund, a buyer for Snyder's Drug Stores in Minnetonka, Minn. "But the gross margins are still very strong: well over 50 percent off promotion." Lund blamed the state's "cold, gray, cloudy" summer, as well as the poor economy and the fact that the sunglass business is still eclipsed by the peak sales years of 1988 and '89.

Even chains which discount sunglasses heavily can eke out solid profits. "We discount 50 percent everyday. . .but the margins are still above 30 percent," said Ralph Randle, sunglass buyer for Drug Barn, a six-store deep discounter in Northern California.

The reason: manufacturers build in lots of profit potential through the original list prices and take much of the guesswork out of the category by servicing sunglass displays themselves with their own merchandiser/reps. Gordon Hallerman, director of sales for Cool-Ray Optics, agreed that "even with discounting, gross margins can be in the 50 percent range," but said a "full in-store service program is essential" to success.

David Moore, vp of marketing for Bonneau Co., pegged retail margins at "60 to 62 percent with no discounts," and "30 to 35 percent" with an everyday-low-price policy of 50 percent off.

Price cutting too much?

That leaves plenty of room for aggressive price competition. However, Moore said, consumer focus group research conducted in the summer of 1991 indicated that retailers may be cutting their prices and margins more steeply than they have to.

"One finding we got from consumers was that, once they're in the drug store, price is not as big a deal as everyone thought it was," he said. "Consumers tend to prescreen [the sunglass market] by outlet. . .so they've already made a decision to spend a certain amount when they walk into a drug store."

Result, he said: consumers are probably "not as price-sensitive" as many retailers assume they are when it comes to sunglasses, and "some retailers may be discounting more than they need to."

Many drug chains, however, are already quite selective in how they price sunglasses. Snyder's, for instance, eschews deep discount pricing but is "considering an EDLP policy next year," said Lund. Meanwhile, the chain offers a budget line through International Tropical to complement its major sunglass program from Opti-Ray—a program Lund praises for its "excellent service and good product." Including a few higher-end offerings, Snyder's sunglass prices average about $14, she said.

In general, drug chains have stayed with the tried-and-true with their sunglass business, leaving the fashion selection to the expertise of their suppliers and keeping price points well under $20.

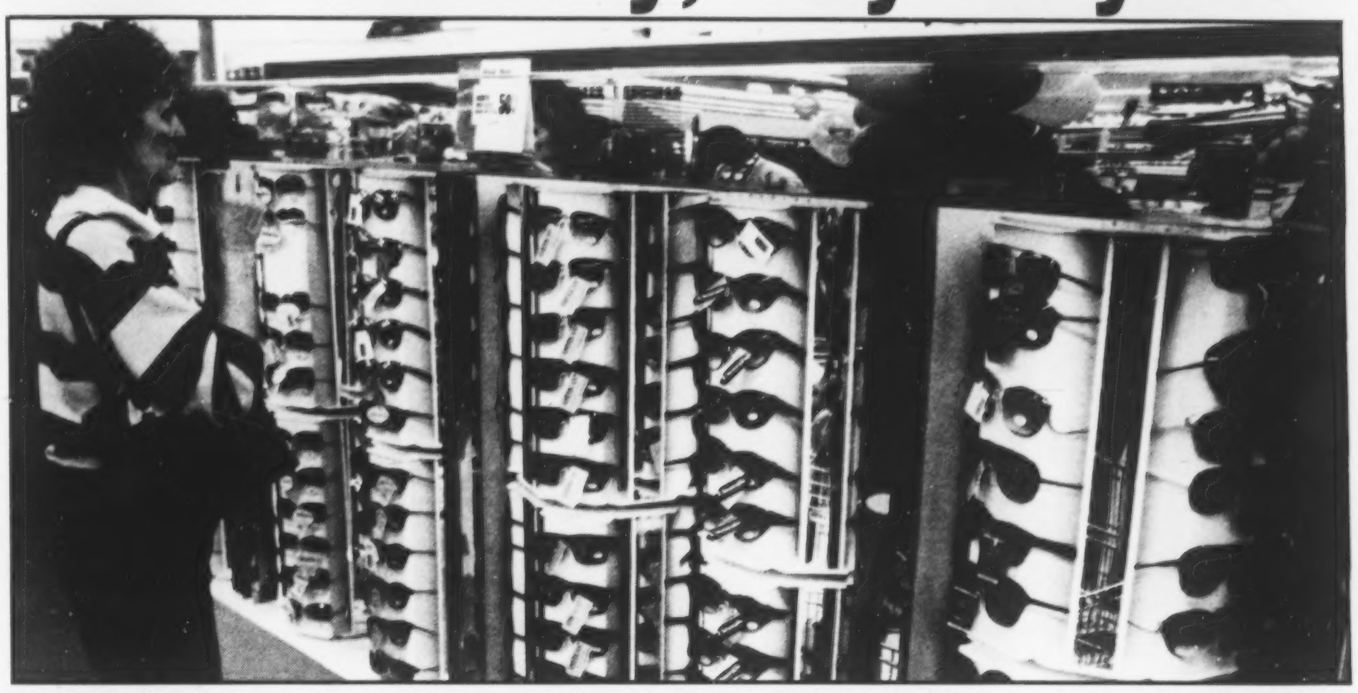
"We carry nothing above $16, except the Ray-Bans" the chain carries in some of its stores, said Big B's Little. He added that Big B uses two vendors, Opti-Ray and Cool-Ray, and keeps its spinners up front near the checkstands where they get maximum exposure.

As for fashion, it's still "the engine that drives this business," said Mauri Edwards, a spokesman for the Sunglass Association of America in Norwalk, Conn. But he and other industry experts agree there is no single, overriding fashion trend currently at work.

"It's a big market with eclectic tastes, and if you put all of your money in one particular area, you're making a mistake," Edwards noted. "You've got to cater to a market which has never settled on a single, particular approach. . . but looking good is still the issue."

Nevertheless, the sour economy has led manufacturers to steer carefully through the risky shoals of fashion with current styles. "People are going back to traditional styles, and we are emphasizing classic fashions," noted Moore of Bonneau, which also owns the Foster Grant label.

"A few years ago, you could kind of throw everything against the wall and see what sticks" in terms of fashion styling and consumer acceptance, said one manufacturer. "The economy is forcing manufacturers to control their business and emphasize turns."



Drug chains have stayed with the tried-and-true with their sunglass business, leaving the fashion selection to the expertise of their suppliers and keeping price points well under $20.

Sunglass sales continue slight fall; fashion, higher-end offerings prevail

The ongoing recession and a maturing market took their toll on the sunglass business for a second year in a row in 1991, with unit sales easing another 1 percent to 218 million pairs last year. However, a continuing shift toward higher-priced sunglasses boosted dollar sales for the industry another 5 percent, to a record $1.75 billion.

The industry has yet to match the record 225 million pairs of shades sold in 1989, its peak year. Almost certainly, that record won't be challenged in 1992—a year in which cooler-than-normal summer temperatures have been matched by the chill of a sluggish economy. What's more, underlying factors like the continued aging of the population and the fact that consumers are buying fewer sunglasses every year but paying more, are probably also behind the slight slowdown in unit sales.

Nevertheless, the industry's growth in revenues is indicative of its "remarkable vitality" in the face of recession, said Buddy Sklar, exec vp of Opti-Ray and president of the Sunglass Association of America. "The current figures are particularly significant in that they show a continuing shift toward sunglasses retailing at $30 a pair and higher."

Sklar noted that high-priced unit sales grew by a million pairs last year. More striking is the fact that sunglasses costing $30 and more account for just 8 percent of total unit sales in the market, but a whopping 54 percent of dollar volume.

The average price of a pair of sunglasses sold in the U.S. last year jumped 44 cents to $8.01, according to the industry group. However, a growing percentage of sunglass sales are going to what the group calls "secondary channels"—non-traditional outlets like swap meets, closeouts, gift shops and street vendors.

"So-called primary channels," drug and discount chains included, "accounted for only 41 percent of the sunglasses bought by U.S. consumers last year but 80 percent of the dollars spent on sunglasses," a study conducted by the SAA last year found.

"For several years now, we've had growing evidence of a two-tiered sunglass market," said Sklar.

No recessionary glare in sunglasses

Year (millions)	Pairs sold	Retail sales (billions)
1991	218	$1.75
1990	220	1.66
1989	225	1.72
1988	180	1.35
1987	189	1.32

Source: Statistical Committee, Sunglass Association of America.

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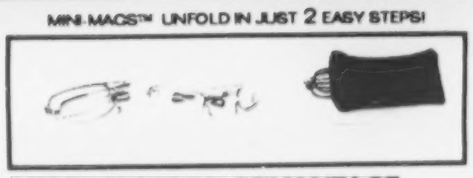

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